### MINUTES FOR THE REGULAR MEETING CALIFORNIA UNEMPLOYMENT INSURANCE APPEALS BOARD Docket No. 5476

### 1. Opening of Meeting:

The Appeals Board convened at 10:30, December 12, 2006 in Sacramento, with Chair Ann M. Richardson presiding.

2.	Roll Call: <u>Members</u>	<u>Present</u>	<u>Absent</u>
	Ann Richardson, Chair	X	
	Virginia Strom-Martin	×	
	Jack Cox	×	
	Don Novey	×	
	Terri Carbaugh	X	

### 3. Approval of the Minutes:

The November 14, 2006 minutes were approved by all members.

### 4. Chair's Report:

Chair Richardson attended a Labor Agency meeting last week. Secretary Bradshaw stated that the subjects of Healthcare, Corrections, and Vocational Education will be top priorities for the Administration next year. The State of the State address will be on January 9<sup>th</sup>, and the Governor's proposed budget will be released January 10<sup>th</sup>. Secretary Bradshaw commended the CUIAB for its efforts on the tax cases, and particularly for reducing the length of time it takes to process those cases and the reduction in our inventory.

Chair Richardson, upon noting that this would be the last Board meeting for 2006, took some time to express her appreciation for being allowed to serve with her fellow Board Members, Don, Virginia, Terri and Jack, and to especially thank the employees of CUIAB for their dedication, support, and hard work on behalf of the Board and the Agency.

Chair Richardson also wished a happy birthday to Juanita McKelvey; congratulations to Pat Poyner and Julia Newcomb for their 25 years state service, and congratulations to Ronn Goi who is now a grandfather. Chair Richardson expressed great appreciation for the quality work of the ALJs and all of Appellate Operations and the Executive staff

### 5. Board Member Reports:

Board Member Novey noted that this is probably the most outstanding state agency he has ever worked for, and that the success of this agency means that many hundreds of thousands of Californians lead a better life.

Board Member Strom-Martin expressed her agreement with Chair Richardson in thanking the staff of the agency and her agreement with Member Novey that this is a stellar agency and that she has enjoyed working here.

Board Member Carbaugh echoed her agreement; wished everyone a happy holiday, and stated she is looking forward to 2007.

Board Member Cox stated he was in total agreement and wished everyone a Merry Christmas.

### 6. Chief Administrative Law Judge/Executive Director's Report:

Executive Director/Chief Administrative Law Judge Jay Arcellana reported that the Agriculture Labor Relations Board (ALRB) sent a formal letter to the Appeals Board through Mr. Angelides thanking the agency for its help with the elections.

Executive Director/Chief ALJ Arcellana thanked the Board for their support and friendship.

Executive Director/Chief ALJ Arcellana reported on a conference call with the Presiding Judges, supervisors and Senior Staff; wherein he presented our current budget issues. Inasmuch as the field constitutes 90 percent of the agency, generating most of the work and income, he sought to obtain their input on plans to address projected revenue shortfalls. He stated everyone was quite positive and supportive, and appreciative of efforts to get on top of the problem as early as possible. P&PM staff, Admin staff, and Renee Erwin and Hugh Harrison In particular were commended for their work on the budget analysis and answers, to be discussed in a PowerPoint presentation later in the meeting.

Executive Director/Chief ALJ Arcellana stated that the priorities in addressing the budget issues are to fulfill the agency's mission, serving the unemployed and disabled; to avoid layoffs; and to educate staff so that there is no fear or anxiety from lack of knowledge.

### 7. Branch Reports:

Executive Director/Chief Administrative Law Judge Jay Arcellana presented the Budget Status Report via PowerPoint presentation. (Attachment A) He advised that the budget is governed primarily by workload projections, which are issued in May and October. The May projections help us determine the budget for the fiscal year starting in the following July, which must be adjusted during the same year based upon the October projections. Since the workload can fluctuate significantly during

any budget year, CUIAB must remain flexible and also maintain some hold backs to cover unanticipated expenses or revenue downfalls. The budget for this fiscal year is \$70 million, 80% of which is salaries/wages/benefits, or \$55.7 million. The first flex point in the budget is utilization of temp help staffing, currently 11% of the salary budget. The balance of the budget, totaling \$14.3 million, is OE&E, and the flex there comes primarily from the leases which, total \$8 million. Our primary focus is maintenance of the appeals offices, with out-stations secondary and subject to contraction as the budget requires.

Two significant budget adjustments were necessary in October. The first was the cost-of-living increases. Based on labor negotiations, we were led to believe the COLA's would be funded by the General Fund; however, this will not be the case. The Budget Advisory Committee, as stated previously, established monetary reserves for unforeseen expenditures, so between those reserves, salary savings, and income from the TEUC Program, the 06/07 COLA costs of \$1.7 million can be covered.

Chair Richardson inquired if there was any chance that the agency would eventually be reimbursed for the COLA costs. Executive Director/Chief ALJ Arcellana answered that would happen only if the matter is elevated and reversed at a level above the Department of Finance, which he understood the Labor Secretary stated she would pursue.

The other adjustment stems from the new workload projections from the October Revise, which shows a workload drop of 13,000 dispositions, representing a \$2 million decrease in earnings for the CUIAB. This decrease is aggravated by the fact that it comes midyear, meaning that it would have to be covered over just a six-month period. These projections were unexpected because the May Revise projected a 5% increase over the course of the year.

Executive Director/Chief ALJ Arcellana reported that those projections are confirmed with what has been happening in the real world. Verifications decreased from October to November by 16%, or 3,559 cases. Dispositions decreased by 7%, or 1,436 cases. Further, there were fewer than 20,000 new appeals for the first time in 9 months. Verifications were 15% below the average for 2006. The dilemma presented is how we increase revenues or dispositions when workload is projected to drop. We decided to approach the problem by acting to capture earnings for all UI issues, specifically the false statement issue in benefit audit cases. This is consistent with current practice in all other false statement situations, and it helps us avoid an increase in the number of appellants for weekly calendars.

Executive Director/Chief ALJ Arcellana reported that, effective immediately, the following operational policies will be in effect: (a) eliminate unnecessary continuances; (b) eliminate unnecessary resets; (c) plug cases whenever possible; (d) utilize team calendars when needed: (e) whenever feasible, PJs should take calendars; (f) reduce travel for non-hearing activities; (g) review the leases of

outstation facilities that have minimal usage, are within 30 miles of the next facility, and are expensive on a per square foot basis; and, (h) soft freeze on hiring.

**b.** Deputy Chief ALJ, Appellate Operations Steve Angelides reported that in November Appellate Operations registered 1039 cases, once again a new calendar year low. Dispositions were at 1389 cases, the calendar year average. As a result, the balance of open cases is 1422, a four year low. The average UI case age also dropped significantly, from 39 to 35 days.

CTU workload continues to be stable at a substantially reduced level, as it has since June, when the backlog was eliminated following the transcript policy change. All retired annuitant usage in both AO and CTU will end as of December 31 due to the continuing low workload. AO currently has seven vacant positions, which they hope to alleviate with loans from CTU.

The digital recording project has been successfully completed. All offices are now up and running and tapes will shortly disappear from AO.

AO had its bi-monthly ALJ meeting on November 30 and were pleased that the Chair and Board Member Strom-Martin were able to attend the meeting. The primary item on the agenda was training on Unemployment Insurance Code section 606.5.

**c.** Deputy Director, Administrative Services Branch Pam Boston reported that the rollout for the replacement of the mail machines, along with staff training, has been completed.

Deputy Director Boston also reported that the Department of General Services has awarded a strategic sourcing contract to Office Depot for office supplies. The new contract has a number of advantages including: significantly better pricing; discounts for online ordering; 24-hour delivery; and fixed pricing for two years, which should save significant staff time with the elimination of the multiple quote requirement.

Deputy Director Boston reported that Personnel Division is in the process of administering an Associate Governmental Program Analyst exam and an Associate Personnel Analyst exam, to be completed some time in January. Personnel Division is also looking for volunteers to become EEO counselors and investigators.

Finally, the contract for the state's 25-year service gifts is in limbo due to a bid protest. Although departments can make the gift purchases with other vendors, those vendors do not have the authority to reproduce the Governor's signature on the certificates. Once a new contract is in place, the certificates can be produced retroactively.

**d.** Deputy Director, Planning and Program Management Branch Mary Walton-Simons reported the following significant activities by her Branch:

In January, 2007 Budget Officer Renee Erwin will be rolling out the 07/08 call letter packages to all the CUIAB Branches and Divisions. Training will be provided as requested since some offices have new supervisors.

P&PM will provide calendaring training to the Inglewood Office of Appeals at the request of their Presiding Administrative Law Judge. This represents another training module for field operations specific to their processes, in addition to the Reception Training and Supervisory Transition Training currently being provided.

P&PM has developed and is currently piloting a self-directed and online Pepper Gas training course as it relates to Board Policy Statement No. 18. The online training assessment and certification module would be available to those employees wishing to carry Pepper Gas at work.

The regular UI/DI Hearing Information Pamphlet has been translated into Spanish. They are now waiting for the two TAX pamphlets to be completed before they are sent to EDD for printing. Chair Richardson requested that the Board have an opportunity to review the draft TAX-HIP pamphlets before the final edition is completed. Mary Walton-Simons assured the Chair that a draft copy would be provided to the Board Members.

### 8. Chief Counsel's Report:

Chief Counsel Ralph Hilton reported that the Board's workload this year is on track to match that of the last calendar year, approximately 16,646. However, this is somewhat lower than the workload experienced by the Board in the prior three years. As to litigation, six new cases were filed in November, and five cases were closed. Chief Counsel Hilton stated that so far this year the Board has been reversed on just two out of the 32 cases that reached decision in 2006.

### 9. Unfinished & New Business:

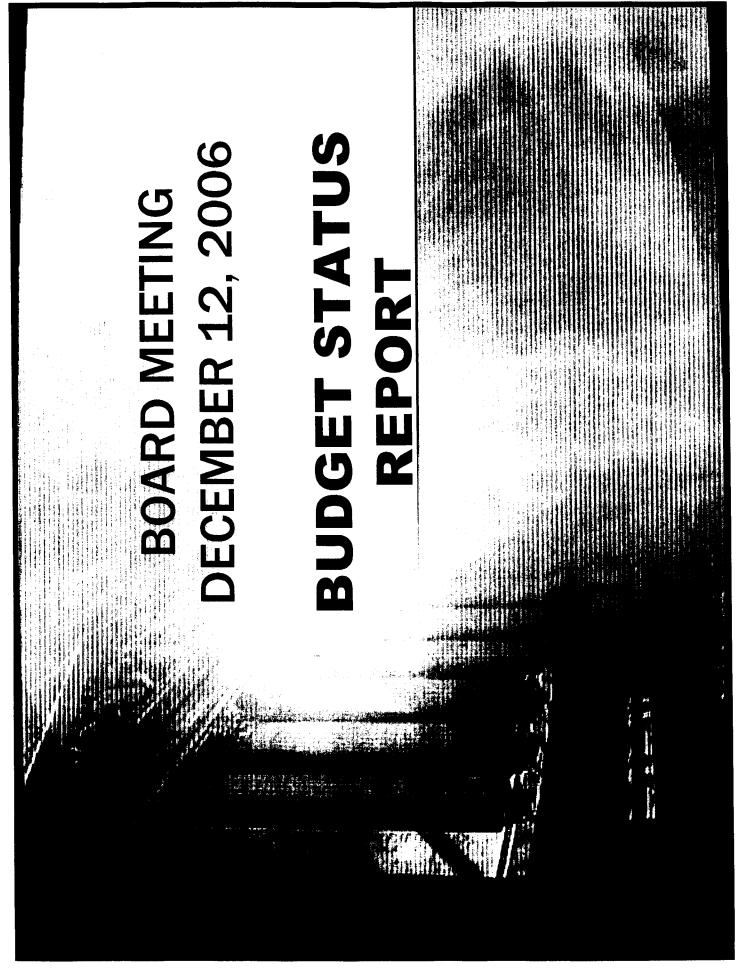
There was no unfinished or new business.

### 10. Public Comment:

There was no public comment.

### 11. Closed Session:

The regularly scheduled Board meeting adjourned, and the Board went into closed session. No votes were taken in closed session.



# **Establishment of the Budget**

Our budget is based upon workload projections

 Sowhile we are managing the cut The actual process begins in January Carallenge, we are also City of the little of the sall's budget

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# **Establishment of the Budget**

(Continued)

in July our budget is established

. Our budget for current fiscal year is \$ 

ii. 80% of the budget is Salaries/Wage totaling \$55.7 million

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# Unforeseen Budget Adjustment

a. Salary augmentations

the COLAs would be funded by the General I Based on labor negotiations, we were led to

BAC committee planned for unforeseen ex and established monetary reserves

. These monetary reserves, coupled with sa will constructed the cost of COLAs in 06/07

## Unforeseen Budget Adjustments (Continued)

- New Workload Projections based upon October
- Department of Finance published new worker projections revealing an unexpected drop in 🐔 worklead of 13,000 dispositions which equ dellar argoint of \$2 million.
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3. In November, the workload continued to decrease Verifications decreased from October to November by 16% which equates to 3

Dispositions decreased from October New arberty 7% which equates to

### Unforeseen Budget Adjustment (Continued)

revenues by \$2 million, or reduce outlay The result is that we need to either incr \$2 million, or a combination of both.

EVI. for fiscal year 07/08, Departm Transfers a further decreas reference of 9 to 100 cases from fise

### The following policy decision solved this problem

increasing revenues, while minimally The decision was made to focus on reducing outlays.

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### Policy Decision (Continued)

earnings for all UI issues, specifically t false statement issue in benefit audit b. Operationally, we decided to capture Cases

This is consistent with current pract in a large statement situation

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will generate enough workload to cox ii. We project that these captured earn the projected shortfall for this fiscal

Fe False Statement issue in 

### (Continued) **III. Policy Decision**

- c We considered other alternatives:
- i. An across the board caseload incres
- II. Mandatory team calendars
- III The control of the second of the second



issue in Benefit Audit Cases is to be identified Effective immediately, the False Statement in all uncalendared cases

following operational policies Effective immediately, the will be in effect:

a. Eliminate unnecessary continuances

Eliminate unnecessary resets

C Plug wherever possible

E Ulize learn calendars when needed

Whenever feasible, PJs should take calend

Reflection - Tearing activities

Reviews: -- East-section facilities 

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## VI Wiscellaneous

a. Training and form decisions will be provided

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